



The Case for a European Social Union

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Abstract

This article discusses the notion of a ‘European Social Union’, in which European countries would cooperate with an explicit social purpose. A European Social Union should not be seen as an idealistic bridge too far. Instead, a Social Union is both desirable and necessary for the eurozone and wider European integration.



Introduction

In this article, I argue that we need to develop a coherent conception of a *European Social Union*. I use the expression ‘Social Union’ deliberately, for three reasons. First, it invites us to propose a clear-cut concept, in contrast to the rather vague notion of ‘a social Europe’, which often surfaces in discussions on the EU. Second, it signals that we should go beyond the conventional call for the EU to gain a ‘social dimension’. As a matter of fact, it would be wrong to assert that the EU has no social dimension today. The coordination of social security rights for mobile workers, standards for health and safety in the workplace, directives on workers’ rights... This constitutes a non-trivial *acquis* of fifty years of piecemeal progress. The EU also developed a solid legal foundation from which to enforce non-discrimination among EU citizens. The notion of a ‘European Social Union’ is not premised on a denial of that posi-

tive *acquis*. But if the next steps we have to take can build on that *acquis*, their nature and rationale respond to a new challenge. We have to understand the novelty of that challenge, which is about more than just adding ‘a social dimension’. Third, the emphasis on a Social *Union* is not a coincidence. A European Social Union is not a European Welfare State: it is a Union of national Welfare States.

Proposing a European Social Union may seem an idealistic bridge too far, given the state of play of European politics today. However, I hope to show that the idea is neither far-fetched nor unduly idealistic. The core idea can be summarised as follows: a Social Union would support national welfare states *on a systemic level* in some of their key functions and guide the *substantive development* of national welfare states – via general social standards and objectives, leaving ways and means of social policy to Member States – on the basis of an operational definition of ‘the European social model’. In other words, European countries would cooperate in a union with an explicit social purpose – hence, the expression ‘European Social Union’ (ESU).

From the outset, some misunderstandings should be avoided. Below I will insist on the necessity of convergence, but convergence is not the same as harmonisation. More generally, the practice of a Social Union should be far removed from a top-down, ‘one-size-fits-all’ approach to social policymaking in the Member States. Also, a Social Union is not a defensive ‘Maginot line’ to preserve the social status quo; European welfare states are in a continuous process of reform and many need further reform. Finally, the notion of ESU does not point to a parallel and separate social pillar to be added to the existing pillars.

A Social Union, so conceived, is not only desirable but necessary. To make that analysis is not to say that an operational concept of ESU is already on the table. We are in uncharted territory: important issues need to be clarified. First of all, we must be clear about the rationale and motivation for a ESU; that is the subject of the first part of this article. In section 1, I distinguish arguments applying specifically to the eurozone from arguments applying to the EU as a whole. In section 2, I introduce the notion of solidarity underpinning a Social Union, and I argue that the idea of ESU marks a return to the inspiration of the founding fathers of the European project. The second part of this article links the idea of a Social Union to current debates on social policy.

Section 3 presents ‘social investment’ as a unifying policy concept for the EU. Section 4 briefly argues that clarification is needed with regard to policy methodologies and tools (notably: mainstreaming, contractual arrangements, and a possible eurozone stabilisation scheme). Section 5 discusses minimum wages and minimum income protection. Finally, a conclusion is provided.

1. Why do we need a European Social Union?

1.1. *The incomplete monetary union*

The case for a European Social Union is first and foremost based on a *functional* argument with regard to EMU. Members of a currency area are confronted with a *trade-off* between symmetry and flexibility. In textbooks on monetary unions, the need for flexibility is explained in terms of wage and price flexibility, labour mobility, and migration, which determine a country’s internal adjustment capacity. Flexibility implies choices that are not socially neutral: less regulated labour markets, temporary shock absorbing mechanisms such as ‘Kurzarbeit’ in Germany, a highly skilled and versatile labour force... All provide different ways and means to achieve labour market flexibility, which can be mixed in different ways, according to social preferences. There might be a ‘high road’ to labour market flexibility, based predominantly on skills, as opposed to a ‘low road’, based predominantly on mere deregulation of labour markets. Relying on migration as an adjustment variable and making a success of it, implies societal choices *par excellence*.

Economic textbooks define symmetry in economic terms, but sustaining symmetry in the long run may imply a degree of social convergence: there seem to be limits to the diversity in social systems that can be accommodated in a monetary union, not with regard to the details of their organisation, but with regard to their fundamental parameters. The insistence of the European Commission that retirement ages be indexed on longevity in all European Member States can be interpreted in this sense: apart from the fact that it may be good policy *per se*, for any welfare state, to establish a link between retirement ages and longevity, it is plausible to argue that unsustainable pension systems in some Member States of the eurozone would lead to budgetary imbalances that threaten the eurozone as such.

The previous paragraph suggests the need of a long-term perspective of social convergence. From a short-term perspective, the automatic stabilisation capacity that normally characterises welfare states has been constrained by the actual functioning of EMU. Hence, EMU should be equipped with a stabilisation mechanism to compensate for the decreased stabilisation capacity of national welfare states. That presupposes *more solidarity* in the eurozone than is present at this moment. Neither flexibility nor symmetry, nor indeed a stabilisation mechanism, are socially neutral choices. By the process of monetary unification, a consensus on the social order which the monetary union has to serve is forced upon the participating countries. This entails discussions about sensitive social issues such as the degrees of freedom between countries with regard to pension systems and retirement age; but also with regard to the skills of their labour force and educational achievements; with regard to the role of migration, etc.

We not only need a consensus on the concept; we also need a convergence of fundamental social parameters. What we see today is the exact opposite: increasing *divergence* which undermines the sustainability of the EMU. *Excessive social imbalances* threaten the monetary union as much as excessive economic imbalances (Vandenbroucke et al., 2013b). The expression ‘excessive social imbalances’ describes a set of social problems that affect member states very differently (thus creating ‘imbalances’). Youth unemployment and child poverty are two examples. These imbalances should be a matter of common concern for all eurozone members. Politically, social divergence in the eurozone threatens the sustainability of the project in that it will steadily undermine the credibility of the European project. In economic terms, current levels of youth unemployment and child poverty in Europe illustrate inadequate investment in human capital on a massive scale. A comparatively high level of youth unemployment and child poverty is synonymous with an investment deficit that may be cause and effect in a vicious circle of underperforming labour markets, child care, education systems and transfer systems. If some members of the eurozone get trapped into such a vicious circle, the resulting bad equilibrium creates a problem with regard to the economic symmetry that is required among the members of a monetary union.

In sum, (1) managing the trade-off between symmetry and flexibility, (2) repairing the decreased stabilisation capacity of welfare states, and (3) preventing excessive social imbalances presuppose an operational basic

consensus on common, normatively charged objectives of social policy within the eurozone.

1.2. Integration and social regulation in the EU28

Other arguments in favour of adding an active social dimension to the EU transcend the eurozone problematic, as they apply to the EU as a whole. A well-known argument holds that economic integration without social harmonisation induces downward pressure on social development in the most advanced Member States. Although in the past the spectre of large-scale social dumping has never materialised, in the enlarged EU of today blatant cases of illegal working conditions and exploitation do occur, resulting from the interplay of lacunae in the domestic implementation of social and employment protection in the Member States, reduced legal sovereignty of the Member States, and the absence of common social standards in a very heterogeneous entity.

Fears of social dumping, but also welfare tourism, are causing considerable social and political tensions with regard to labour migration. These discussions will not be easily resolved, but a crucial condition for European public opinion to accept migration is that migration and posting of workers should fit into a regulated social order not undermine it. Hence the importance of the recent agreement reached by Social Affairs Ministers (December 2013) on the controversial posting-of-workers enforcement directive. The latter is supposed to resolve various legal, administrative and practical forms of abuse, circumvention of regulations, and fraudulent practices when workers are temporarily posted in another country. The revised directive now falls to negotiations between EU countries and the European Parliament.

The extent to which Member States can uphold social standards in a context of free movement is particularly relevant with regard to minimum wages. In Member States such as Germany and Sweden, trade unions traditionally resisted state regulation of minimum wages: they considered that it fell under the purview of collective bargaining and that it was a no-go area for public authorities; thus, they applied a domestic principle of subsidiarity. The *Viking* and *Laval* judgments by the European Court of Justice suggest that that traditional position may be unsustainable: the Court argues that only *predictable* systems of minimum wage protection can be imposed on foreign companies that post workers, i.e. Member States must create a legal context in which only generally

applicable minimum wage protection has to be respected by foreign service providers. If that argument is accepted, it would mean that social partners should reconsider traditional positions on subsidiarity within welfare states, i.e. they should reconsider the respective roles of social partners and public authorities, or reconsider the relation between nationwide collective bargaining and local bargaining. The actual responses in Sweden and Denmark to the *Laval* case reaffirm the autonomy of collective bargaining, but introduce conditions for the exercise of collective action: collective agreements can only be enforced through collective action against foreign service providers if they correspond to existing nationwide collective agreements and do not define conditions beyond the hard core of the posted workers directive (Blauberger, 2012). Hence, the Swedish and Danish domestic responses also change the rules of the game in terms of the subsidiarity of the national versus local level. Politically, this strengthens the case for a pan-European framework with regard to the concept and regulation of minimum wages: both at the domestic and the European level, we must reconsider the application of subsidiarity principles.

Fundamentally, the challenge is to preserve the regulatory capacity of national governments and social partners, whilst allowing labour migration and the cross-border delivery of services. Reconciling national regulatory capacity with mobility has also constituted – and still constitutes – a challenge in the domain of health care. The impact of the European legal constellation – notably legislation shaping the internal market – on a sector such as health care shows that a neat separation between ‘market issues’, belonging to the supranational sphere, and ‘social issues’, belonging to the national spheres, is unsustainable. In 2002, I was inspired by this observation to propose a ‘horizontal social clause’ in the European legal architecture, to provide clearer guidance to all European institutions in the grey area between state and markets (Vandenbroucke, 2002). That idea found its way, via the Lisbon Treaty, into Article 9 TFEU, which formulates the requirement that all EU actions take into account ‘the promotion of a high level of employment, the guarantee of adequate social protection, the fight against social exclusion, and a high level of education, training and protection of human health’. Will this clause play an important role in guiding the Court of Justice and other key actors? Will it serve as a reference for social impact assessments? The jury is still out. So far, the horizontal social clause did not play a visible role when designing macro-economic adjustment programmes – where it should have played a role.

2. A shared notion of solidarity

The foregoing discussion shows that we have to combine two perspectives on the meaning of solidarity in Europe: a pan-European notion of solidarity and solidarity within national welfare states. The pan-European notion of solidarity refers to upward economic convergence and cohesion on a European scale. But it also refers to the rights of individuals to improve their own lives by working in a Member State other than the Member State where they were born, or to the rights of patients to benefit, under certain conditions, from medical care in other Member States than their state of residence, etc. Solidarity within national Member States refers to social insurance, income redistribution, and the balance of social rights and obligations, which define national welfare states. This dual perspective on solidarity – when used in the European context – makes it inherently complex and multifaceted. There should be no denying that it can imply trade-offs between national solidarity and pan-European solidarity, certainly in the short term. However, the political legitimacy of the European project depends on its capacity to avoid a negative trade-off or, in other words, to avoid a zero-sum game between national cohesion and pan-European cohesion. In yet other words, the legitimacy of the European project requires a virtuous circle of growing pan-European and national cohesion. Sustaining such a virtuous circle should be the primary objective of a European Social Union.

In fact, this means that we should revisit the fundamental goals that have been part and parcel of the European project since the Treaty of Rome of 1957: the simultaneous pursuit of *economic progress* on the one hand, and of *social progress and cohesion* on the other, both *within* countries (through the gradual development of the welfare states) and *between* countries (through upward convergence across the Union). The founding fathers of the European project optimistically assumed that growing cohesion between and within countries could be reached by supranational economic cooperation, together with some specific instruments for raising the standard of living across the Member States (which were later brought together in the EU's 'economic, social and territorial' cohesion policy). Economic integration was to be organised at the EU level, and would boost economic growth and create upward convergence; domestic social policies were to redistribute the fruits of economic progress, while remaining a national prerogative. Consecutive enlargements as well as monetary unification made this complex notion of solidarity even more

demanding and difficult to handle. Indeed, what is seen by some as ‘the dynamics of upward convergence’ associated with the enlargement of the EU, is seen as social dumping by others. At the same time, the discussion above demonstrated that monetary unification requires forms of solidarity which were, thus far, a no-go area in European politics. We risk getting caught in a trap: we badly need more European solidarity, whilst it is becoming more difficult to manage. Instead of a virtuous circle, that is a vicious circle.

3. The social investment imperative

How can we create a virtuous circle whereby both pan-European cohesion and national cohesion are enhanced? There is a huge disparity in the performance of European welfare states. They also display very different profiles with regard to the educational achievement of their population. The southern EU15 Member States combine low employment rates with a high share of people with no more than lower secondary education. The OECD PISA tests of the skills of 15-year old students also illustrate the disparity across Europe with regard to investment in human capital in today’s younger generation, with weak average scores for countries such as Greece, Italy and Spain (and even weaker scores for Bulgaria and Romania). I do not suggest that there is a simple causal relationship between educational attainment and employment: it is the combination of a poor record in employment and education that is so alarming. These data not only illustrate the particular deficit of Southern eurozone welfare states – compared to other eurozone members – with regard to education and employment, they also underscore the huge education agenda the whole EU is confronted with. The European Union certainly recognises the challenge: in the *Europe 2020* agenda, reducing the number of early school-leavers is singled out as one of the *headline targets*. The European Commission has developed a comprehensive agenda on education, training and skills, and issued excellent recommendations on the modernisation of education systems. However, the question remains as to whether this educational agenda carries sufficient weight at the highest levels of European political decision-making and in the setting of budgetary priorities: the answer seems negative. Real public expenditure on education was lower in 2011 than in pre-crisis 2008 in 10 Member States, including those that badly need to improve their education system. That is not to say that the quality of education systems can be measured in simply by looking at the level of public spending on education,

but it seems very hard to improve education systems significantly whilst disinvesting.

The strong record of Northern welfare states, with regard to both employment and poverty, has been linked to their long-term orientation towards ‘social investment’, i.e. activation, investment in human capital, and capacitating social services such as child care (Hemerijck, 2013). Obviously, investment in education and child care are no panacea; welfare states also differ with regard to the effectiveness of their social protection systems. For instance, Greece does not have a system of minimum income assistance, and minimum income protection in Italy is generally considered to be inadequate. Cash transfer systems are highly fragmented in a number of welfare states. Welfare state performance depends on the complementarity of effective investment in human capital – by means of education, training and child care – and effective protection of human capital – by means of adequate transfer systems and health care. The redistributive role of social protection remains important *per se* (Cantillon and Vandenbroucke, 2014).

So conceived, a social investment strategy offers an interesting perspective, with regard to both pan-European cohesion and national cohesion. Social investment emerged gradually as a social policy perspective in the 1990s in response to fundamental changes in our societies, with a focus on policies that ‘prepare’ individuals, families, and societies to adapt to various transformations (such as changing career patterns and working conditions, the emergence of new social risks, and ageing populations) rather than on simply generating responses aimed at ‘repairing’ damage caused by market failure, social misfortune, poor health, or prevailing policy inadequacies. Social investment is not an easy panacea. Successful social investment presupposes a well-designed complementarity between ‘protecting human capital’ by means of traditional instruments of social protection (cash benefits, health care) and ‘developing human capital’, by means of education, training and activation.

The Social Investment Package, launched by the European Commission (2013a) in February 2013, presents a similar argument and provides an interesting common orientation for EU Member States with its focus on early childhood education and care, preventing early school leaving, lifelong learning, affordable child care (as part of an active inclusion strategy), housing support (fighting homelessness), accessible health services and helping people live independently in old age. Together with Anton Hemerijck and Bruno Palier,

I called for a true ‘Social Investment Pact’ for the EU (Vandenbroucke, Hemerijck, Palier, 2011). Obviously, a ‘Package’ is not a ‘Pact’; the idea of a ‘Pact’ underscores the sense of reciprocity that is needed: all Member States should be committed to policies that respond to the need for social investment; simultaneously, Member States’ efforts in this direction – notably efforts by Member States who face a difficult budgetary and economic context – should be supported in a tangible way.

4. The need to clarify policy methods and tools

In section 1, I wrote that *excessive social imbalances* threaten the monetary union as much as excessive economic imbalances. The first step to restoring (upward) convergence is to fight such excessive social imbalances, notably within the eurozone. This requires a toolkit, in which three types of instrument are made to work in the same direction: general mainstreaming, contractual arrangements, and the European Funds.

Fernandes and Maslauskaitė (2013a) rightly argue that the social dimension should be mainstreamed into all EU policies, notably into macroeconomic and budgetary surveillance, rather than it being constituted as a separate social pillar. In principle, the *Europe 2020* frame should guarantee such mainstreaming; in practice, the social and education objectives of *Europe 2020* do not carry the same weight as the economic and budgetary objectives. This is, first and foremost, a political problem, and solving it presupposes the willingness to take social objectives into account at the highest level of EU decision-making. But apart from that, although the notion of mainstreaming seems straightforward, clarification is needed about the institutional actors that should take the lead in it and exactly how this should be done. Refining the MIP Scoreboard, which is used in the Macroeconomic Imbalances Procedure, was a first step towards such mainstreaming. Social and employment indicators have indeed been added to the set of ‘auxiliary indicators’ that are used in the economic reading of the MIP Scoreboard. However, some nervousness exists about the ownership and control of the process in which they will be used. As a matter of fact, there is more than one ‘scoreboard’. Next to the auxiliary indicators in the MIP, a scoreboard of (a few) employment and social indicators was adopted by the EPSCO Council in December 2013, to inform macroeconomic and fiscal policies, both at EU and national levels, in the context of the European Semester. In itself, that can be seen as promising. However, the

European Council's confirmation of "the relevance of the use of a scoreboard of key employment and social indicators" (European Council, 2013: §38) and especially that "the use of this wider range of indicators will have the sole purpose of allowing a broader understanding of social developments" (Ibid: §39) is unsatisfactory. The precise role of this new scoreboard *vis-à-vis* the strong analytical tools developed recently by the EPSCO Council – the Employment Performance Monitor and Social Protection Performance Monitor – should be further defined. Finally, mainstreaming should include monitoring the impact of social and labour market reforms in Member States having signed a Memorandum of Understanding. In short, if mainstreaming social policy objectives is deemed necessary, the content, the process, and the role of the different policy strands have to be clarified, in order to make such mainstreaming effective and legitimate in the perception of all actors involved.

Well-conceived contractual arrangements between the EU and the Member States – proposed by the European Commission as part of a 'convergence and competitiveness instrument' (European Commission, 2012, 2013b) – may be a way forward if they are based on the genuine reciprocity that is objectively needed in the EU today. The idea of contractual arrangements raises many issues, as explained in the article by Xavier Vanden Bosch and Stijn Verhelst. The key question is whether the contracts envisage a bilateral top-down approach with the Council and the Commission dictating policies to specific countries (a 'principal-agent model' with financial incentives), or alternatively, solidarity in commonly agreed structural welfare state reform. In the run-up to the December Council, many governments, including the Belgian government, have taken a rather defensive approach in the discussion about contractual arrangements. In a sense, this is understandable, given the impression that these contracts would simply reinforce a top-down implementation model of policies that are controversial in Member States. However, a less defensive approach in this debate is needed if one wants to turn the proposal into 'solidarity in structural welfare reform'. So conceived, the questions at hand echo the questions raised with regard to the European funds. Cohesion policy is supporting 'inclusive growth' more effectively than it did before, mainly thanks to a concentration of efforts. The case could be made that not only the ESF, but also the ERDF and other funds should support the employment and social policy thematic objectives, and have corresponding social investment priorities. There is a risk that the contractual arrangements overlap with existing cohe-

sion policy programmes with a clear social commitment. Contractual arrangements and cohesion policy operational programmes should be made consistent and complementary policy tools, in order to increase – instead of merely substitute – efforts at the EU level in employment and social policies.

The paragraph focused on solidarity in structural reform. A separate question concerns the organisation of solidarity in adverse cyclical circumstances. For the sake of brevity, I will not develop this important issue here; I refer the reader to the article by Xavier Vanden Bosch and Stijn Verhelst.

5. Minimum wages and minimum income protection

In their joint statement of 29 May 2013, France and Germany proposed *‘considering implementing minimum wage floors, defined at national level that would guarantee a high level of employment and fair wages – leaving the choice between legislation and collective-bargaining agreements.’* Interestingly, this joint statement immediately added a consideration on the enhancement of cross-border mobility, *‘calling for encouraging cross-border worker mobility by removing obstacles, improving cooperation between employment services (building upon the EURES platform) and facilitating the portability of rights in case of mobility’* (Bundesregierung (2013)). This lends support to the idea that cross-border mobility is a positive development, if organised in compliance with existing social regulation, such as decent minimum wages.

Eurofound (2013) published an in-depth investigation of proposals with regard to European minimum wage coordination. It shows that a European minimum wage threshold at 60% of national median wages would be very demanding in terms of the number of workers affected and the increase in wage levels at the bottom end of the income distribution. A pan-European approach would also encounter huge institutional difficulties, given the differences in wage-setting institutions across the EU. Simultaneously, the report notes a number of arguments in favour of minimum wage coordination at the European level, such as the fact that it would minimise the negative effects on intra-European competitiveness. A gradual approach might therefore be appropriate. The report also underscores that the main justification for minimum wages is not the reduction of poverty (the impact on poverty is rather limited, since household poverty is more related to not working at all than to having low wages); the essential – and important – justification for minimum wages is the establishment of

minimum labour standards below which no employment relationship is considered socially acceptable.

With regard to fighting poverty, the EAPN (European Anti-Poverty Network) proposes a draft directive on adequate minimum income. It would stipulate that ‘every Member State shall introduce a minimum income scheme, that guarantees the right to an adequate minimum income to all people living on their territory’ (EAPN, 2010). The objective would be to ensure that the combined effect of their minimum income provisions and other policy measures are sufficient to lift all individuals above the poverty threshold (60% of the national median income, in a first stage). A European framework with regard to minimum income protection would indeed give substance and political salience to social rights in a ‘caring Europe’. But, given the heterogeneity between European Member States, any binding agreements on minimum income would have to be introduced flexibly and gradually, and implemented in unison with a convergence in activation measures and minimum wage (Vandenbroucke et al, 2013a). Moreover, since such a scheme – even if it is moderate in its initial ambition – requires a significantly greater budgetary effort on behalf of some of the poorer Member States in Eastern and Southern Europe, it raises a complex question about the meaning of solidarity within the EU.

In the poorer Member States ‘the rich’ are poorer than ‘the poor’ in the richer Member States. Hence, a minimal condition for a ‘caring Europe’, that attempts to upscale minimum income protection, is that it should help the poorer Member States, not just by opening up markets and implementing successful macro-economic policies at the EU level, but also by putting at their disposal generous Structural Funds for the foreseeable future. Simultaneously, a caring Europe would put positive pressure on poorer and richer Member States to gradually improve the overall quality and efficiency of their welfare regimes. Introducing conditionality with regard to aspects of social inclusion policy in the European Social Fund may be one way to develop more leverage. Simultaneously, existing strategies – notably *Europe 2020* – should be taken seriously and given real bite. If this were the overall context, then the prospect of gradually introducing a more binding EU framework on minimum income protection may become realistic and useful, for the political reasons indicated above and as a measure to increase the quality and efficiency of domestic social systems. Fundamentally, enhanced solidarity within Member States cannot be decoupled from enhanced solidarity among Member States – and *vice versa*.

Conclusions: from a sense of survival to a sense of common purpose

The eurozone must be supplemented with a genuine social dimension for it to be sustainable in the long term. A Social Union would support national welfare states *on a systemic level* in some of their key functions (such as macro-economic stabilisation) and guide the *substantive development* of national welfare states – via general social standards and objectives, leaving ways and means of social policy to Member States – on the basis of an operational definition of ‘the European social model’. In other words, European countries would cooperate in a union with an explicit social purpose – hence, the expression ‘European Social Union’. Such a ESU is not only desirable, it is also necessary.

My arguments with regard to EMU are premised on the idea that the tuning of economic strategies requires a minimal tuning of social policy, even if this should not lead to the application of an undifferentiated social policy: Member States should retain sovereignty in specific areas (e.g. the organisation of health care), and they must be able to effectively assume the responsibilities they bear. That is one of the reasons why the idea of a Social Union is not confined to the eurozone, although some specific arguments only apply to the eurozone. At the level of the EU28, we must deepen our mutual understanding of the social goals to be achieved by market integration and the mobility of people, services, goods and capital; and it must be possible to maintain principles of social regulation that serve those goals.

The practice of a Social Union should be far removed from a top-down, ‘one size fits all’ approach to social policymaking in the Member States. What is needed today is a more balanced approach to macro-economic coordination, i.e. a combination of greater room for manoeuvre and tangible support for Member States that opt for a social investment strategy, and policy guidance based on clear and sufficiently stringent and constraining objectives with regard to well-defined social outcomes on the one hand, and genuine scope for exploration and mutual learning on the ways and means to achieve those outcomes on the other hand.

A Social Union is not a defensive Maginot Line to fight yesterday’s battles: we need reform, not a status quo. In policy terms, the challenge is to make *long-term* social investments and *medium-term* fiscal consolidation mutually

supportive and sustainable, under improved financial and economic governance. In political terms, European citizens need a reformist perspective that gives the *social acquis* they cherish a credible future. A European Social Union should build on that *acquis*; simultaneously, building on that *acquis* requires reform. That is the quintessence of the call for a ‘social investment pact’.

At the moment of writing, signs of economic recovery are getting stronger. Maybe, the actions of the Member States will no longer be guided by day-to-day crisis management. However, without a sense of common purpose, it will not be possible to overcome the legacy of the crisis; it will not be possible to avoid the spectre of sluggish economic growth for many years; and it will not be possible to fight the mounting euroscepticism.¹ Moving from a ‘sense of survival’ to a ‘sense of common purpose’ is a basic condition for building a Social Union.

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¹ See Fernandes & Maslauskaitė (2013b), who’s Scenario C also inspired the subtitle of this section.

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